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Testimony
Before the Committee on Resources
United States House of Representatives

Hearing on HR 3589: To Create the Office of Chief Financial Officer
of the Government of the Virgin Islands
June 16, 2004

Good Day Mr. Chairman, members of the committee, other distinguished members of Congress, Governor Charles W. Turnbull, David S. Jones, President of the 25th Legislature of the United States Virgin Islands, members of the public present, those listening or viewing. My name is Ronald E. Russell and I am chair of the Education and Youth Committee of the 25th legislature of the US Virgin Islands. It is indeed an honor and a pleasure to be offered the opportunity to testify on this very important proposal, HR 3589, submitted by our Delegate to Create the Office of Chief Financial Officer of the Government of the Virgin Islands. I am here to offer testimony in support of Delegate to Congress Donna M. Christensen's proposed legislation. I will try to make my presentation as clear and as simple as possible. First what does the bill do? Second, do we in the Virgin Islands need this bill now? Third, does this temporary supervision address the long term problems faced by this community? Fourth, how does the bill affect the responsibilities and duties of elected officials?

HR 3589 as I read it, is designed to temporarily replace the Director of the Office of Management and Budget, as established under Virgin Islands law, with a Chief Financial Officer [CFO] selected by a special commission. The selection commission is designed, as best possible, to represent the entire Virgin Islands community. Under section (c), the CFO shall certify spending limits of an annual budget and report to the public on a quarterly basis after an initial six month period. HR 3589 is actually designed to provide the territory with fiscal accountability, transparency, and proper management. As drafted, the bill does not usurp the powers and functions of the Virgin Islands Legislative nor does it usurp the functions of the Governor. Instead, the bill attempts to address community concerns regarding Government expenditures. It temporarily relieves the Governor of the power to direct the Office of Management and Budget at his pleasure. As proposed, the CFO would have the authority to limit expenditures through allocations, certify spending limits for an annual budget, and monitor the operations of the budget for compliance with spending limits, appropriations, and laws, and oversee all aspects of implementation of a new financial management system approved by the Dept of the Interior. Besides these well defined and fiscally responsible goals, the bill provides for the Secretary of the Interior to provide a fully automated financial management system to the Virgin Islands Government.

The next question is whether we need the bill now. The answer is an absolute "Yes". The past and current practices of our government have resulted in unequal distribution of wealth and resources within the territory. There is an unequal and unfair allocation of our financial resources. Government payroll continues to increase while necessary services and functions of government continue decrease. Instead of attempting to reduce government debt, we have increased our debts to an alarming rate. The number of children living in poverty is unacceptable. Education, Health and Public Safety all suffer from a lack of financial resources. The financial priorities identified and implemented by our executive branch of government are in conflict with the needs of our residents. Therefore, I believe the territory needs outside help as proposed by our delegate, which is professional, objective and fair.

Government is charged with providing adequate health, education, food, and shelter for all its residents. For the most part, these functions and resources should be distributed fairly among all residents. Prolonged imbalances lead to poverty, crime, poor education, poor health care and dissatisfaction within the

community. St. Croix is especially problematic because it is in economic depression. History tells us that economic depression can lead to social chaos which can produce false leaders, demagogues and misplaced community values. We need to avoid and prevent the social chaos that can emerge if we fail to act now. Our socio-economic situation is on a path to disaster. The U.S. Virgin Islands Kids Count Data Book 2000 states our decline started in 1995 (i.e. Governor Schneider's administration). Since then we lost accreditation for our public high schools, the Government is currently subject to compliance agreements with Federal Agencies regarding use of federal funds, our local housing department is in receivership with the federal government, our financial management system is dated and there are a host of other concerns that have led to the proposal before this committee. Our decline is reflected in the institutions that provide basic functions for a civilized democratic society.

The U.S. Virgin Islands Kids Count Data Book 2003 provides statistical data and information about children in the Virgin Islands. According to the data, "12,600 of our children live in poverty. This means four children out of every 10 in the territory." The book continues, "children living on St. Croix, with a poverty rate of 45% are significantly worse off economically compared to St. Thomas where the poverty rate is 31%. This 14% difference (in rates of poverty) translates to 3,350 more children living in poverty on St. Croix than on St. Thomas." See attached page 18, VI Kids Count 2003. The 2000 Kids Count book defined poverty as a four member family with two children living on less than \$17,463 annual income. More alarming is the single parent families data and statistics of the last three publications. Single mothers make up almost fifty percent of the Virgin Islands households. The concept of family is practically non-existent. These statistics are unacceptable. They are directly related to the priorities of government expenditure currently under the control of the Governor through the Office of Management and Budget.

As an elected leader of our beautiful islands, these statistics are alarming and quite disturbing. I am elected from St. Croix to represent the people of the territory. I am charged to carefully review information and seek public input to formulate laws, policies and make decisions. The information available indicates government services and the resultant standard of living expected; especially on St. Croix are completely out of proportion to the revenue generated and the available resources. I note that the frustration level and tension on St. Croix is very high. It appears that the middle class (i.e. police, teachers, nurses, social workers, Hovenssa workers, WAPA workers, VIPA workers) pay high taxes to help support the entire government; however, the requisite services that should be basic governmental functions are not being provided to these residents. Roads are in need of repair; street lights in many residential communities are not working or non-existent; sewer and waste management are out of control; public safety is challenged due to a lack of financial resources and man-power; health care lacks adequate finances; union workers are not being paid their negotiated wages; and electricity and telephone service needs improvement. The less fortunate government workers, making less than \$20,000 annually, are forced to pay high prices for food, light, water, household items, gasoline, cable T.V., and telephone,. The cost of living in the Virgin Islands is very high. Moreover, the unemployment rate is over 11% as reported but probably over 20% actually.

These prolonged conditions have led many in our community to support federal help. But one may ask how a CFO helps these seemingly complex and long standing problems in the territory. Moreover, some believe we can solve our own problems and we do not need federal help. My response is that the CFO bill is not designed to solve all our social and economic problems. It is designed to help us through difficult financial times because our government structure is flawed and at this time unable to address the immediate needs of our people.

Now that I'm a politician, I can say that politically we have deteriorated even further than our socio-economic condition. Our downward spiral was not created by nor is it going to be immediately solved by the 25th legislature, the CFO bill, the Governor or by an individual Senator. A big part of our problem is with the political structure and the resultant expectations of a flawed system. Senators are elected district at-large and must compete against each other every two years. This structure does not lead to nor can it generate the collective leadership needed to address our major and pressing problems. Indeed, it is a design that has failed and it will continue to fail unless changed. Although the last two elections saw radical swings in the legislative leadership, the institution continues to fail. The current minority in the 25th legislature was the majority in the 24th legislature. Moreover, I believe the 24th legislature and the Governor severely damaged the public's confidence in elected officials by giving large executive pay raises without addressing some of the systemic problems that plagued government services. That unwise decision was followed by the Governor's decision to propose comparable pay raises for himself, the lieutenant governor and senators in a lame duck session of the legislature. These acts of self aggrandizement, while union workers and other lower paid government employees were not being considered for raises, further eroded public confidence in

local elected leaders. I also note that several senates (i.e, 18th Legislature through the 24th Legislature) and the corresponding governors failed to address structural problems, financial management system and the growing failures of basic institutions in the government.

The 25th legislature was elected to set our ship (the territory) on the right course. As a collective group we have tried by passing a 2004 budget that was realistic and fiscally responsible. However, due to the structural issues stated above we failed to override the Governor's veto of the 2004 Budget. Nonetheless, revenues are up over 30% from last year but we are still in deep fiscal crisis. This is an election year for senators. As it is with Congress, no collective elected body is willing to make major changes in election reform or other revisions to government structure during an election year. Moreover, to expect the institution (USVI senate) to assume control of our finances through the 2005 budget by making reductions in spending or reductions in personnel or to make changes in how the government negotiates or interacts with the unions, is unrealistic. Consider that, at this time, it would be asking too much from the USVI senate to take over the purse strings of our government, through the post audit division of the legislature working with the OMB. Two year senate terms skew the balance of power needed between the three branches of our government to make our system work. Senators are crippled during every other year when faced with the task of campaigning. Therefore, the delegate's focus on the executive branch in her bill rightfully takes into account this imbalance and proposes a viable solution without completely disrupting the existing structure.

I hope it is clear why at this time I support the delegate. I do not believe we are positioned politically to help ourselves. Moreover, I do not see this bill as taking away any of the duties and responsibilities of our elected leaders or that which I was elected to do. Indeed, it is in harmony with what I believe every household, community and government should follow and that is to have spending limits that are within your means. By giving the legislature spending limits we can avoid senators making appropriations and deals with other senators that are fiscally irresponsible. At this time I must refer to articles that I have published that relate to the bill. Since becoming a senator I have used the pen to express ideas and opinions on issues of public concern. See attached Russell Reports. Additionally, I attach a copy of a drafting request I made in the 25th Legislature in an effort to have an independent entity assume temporary control of government fiscal management.

Before I conclude, I must address my view of the opposition to the CFO bill. The opposition appears to be steeped more in emotionalism and the need for an identity rather than the practical reality of where we are politically and how mature we are as a territory. Important policy decisions that affect the territory are adopted without any research, public hearings or legislative debate. Sometimes the need for the territory to call something its own and the emotionalism attendant to such thing is blinding.

Similarly, opponents may be attached to the notion of self control, despite its obvious failures and the fallacy of such an idea. Our problems are systemic. Our problems existed for several years before the residents objected. Now after several years of failure and the continued festering of these problems, the Delegate proposes a temporary solution for fiscal management that is workable and necessary.

In closing let me state that the brief analysis above, along with the supporting documents attached, indicate that our territory is in need of immediate assistance to avoid any further economic and social deterioration. Clearly, this bill is meant to directly address the prevailing notion that our problems are a result of misplaced priorities and chronic mismanagement of available funds. Nonetheless, we need more. I believe that this US Congress in its wisdom should consider, along with HR 3589, provisions in its budget providing resources to alleviate the unmanageable debt now experienced by the Virgin Islands government. When the measure is adopted, consider appropriating funds to the Virgin Islands to alleviate the child poverty identified. Consider aid for infrastructure upgrade, maintenance and repair through federal agencies and available federal resources which could transform our Virgin Islands into an exemplary community. Thank you for this opportunity and may god bless us all.